

Message Text

SECRET

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63

ACTION SS-25

INFO OCT-01 ISO-00 /026 W

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7616

S E C R E T LONDON 01197

EXDIS

E.O. 11652: GDS-1

TAGS: ENRG, EFIN, UK

SUBJECT: WILSON VISIT: OIL AND MONEY PROBLEM

REF: A) LONDON 16506

B) STATE 12252

C) LONDON 825

1. PARA 6 REFTEL B ASKS WHETHER LEVER PROPOSALS ON INDEXATION OF OIL PRICE AND NEW RECYCLING AGENCY (REFTEL A) ARE LIKELY TO BE RAISED DURING PRIME MINISTER WILSON'S VISIT. WE BELIEVE THEY ARE LIKELY TO BE RAISED, BY LEVER, AND VERY POSSIBLY ALSO BY WILSON, THOUGH, IN EITHER CASE, PROBABLY AS PERSONAL IDEAS OF LEVER, EXPLICITLY NOT UKG PROPOSALS. AS NOTED REFTEL A, LEVER DESCRIBES THESE IDEAS AS PERSONAL. AS FAR AS WE KNOW HM TREASURY HAVE NOT ACCEPTED THEM AND ARE NOT FAVORABLY DISPOSED TOWARD CONCEPT OF INDEXATION. AS REPORTED REFTEL C, FOREIGN MINISTER CALLAGHAN SAID HE THINKS INDEXATION MIGHT BE A GOOD IDEA IF BASED ON LOWER PRICE LEVEL, BUT WE DOUBT THAT CHANCELLOR HEALEY WOULD AGREE. IN ANY CASE, THE "IF" OF COURSE IS A LARGE ONE.

2. LEVER, WHOM I SAW THIS MORNING ON ANOTHER MATTER, HAS NOT SUBSTANTIALLY MODIFIED HIS IDEAS AS A RESULT OF LAST WEEK'S AGREEMENT ON IMF RECYCLING FACILITY AND "AGREEMENT TO AGREE," AS HE CALLED IT, ON US-PROPOSED SAFETY NET. HE DOES NOT REGARD THESE AGREEMENTS AS SECRET

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SUFFICIENT TO MEET RECYCLING PROBLEM, PARTLY BECAUSE HE

DOUBTS THAT SAFETY NET WILL BE MADE EFFECTIVE FOR SOME TIME. HE CONTINUES TO BELIEVE CARTEL WILL NOT COLLAPSE AND OIL PRICES WILL CONTINUE TO ESCALATE IF WE CONTINUE ON PRESENT COURSE AND THAT WEST THEREFORE MUST SEEK OVERALL ARRANGEMENT WITH PRODUCERS IN WHICH INDEXING, WHICH APPEALS STRONGLY TO SOME PRODUCERS, MAY BE BEST APPROACH TO DRIVING WEDGE INTO CARTEL AS WELL AS TO LIMITING FURTHER PRICE INCREASE.

SPIERS

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